

**TOWN OF NEWMARKET, NEW HAMPSHIRE  
BUDGET COMMITTEE**

**January 11, 2016 7:00 P.M.**

**TOWN HALL AUDITORIUM**

**PUBLIC HEARING: SCHOOL PROPOSED FY17 BUDGET**

MEMBERS PRESENT: Chairman David Foltz, Vice Chairman Michael "Mickey" Burns, William "Blue" Foster, Michael Lang, Dan Hill, Meg Louney-Moore, Craig Dionne, Daniel V. Smith, Jeff Raab, Town Council Rep Amy Thompson, School Board Rep Mike Kenison

ALSO PRESENT: School Board Chairman Nathan Lunney, School Business Administrator Christine Blouin, School Board Member Al Zink

**AGENDA**

Chairman Dave Foltz welcomed everyone present to the **Public Hearing** for the **School Proposed FY17 Budget**, and called the meeting to order at 7:00 pm, followed by the Pledge of Allegiance.

**PROPOSED SCHOOL FY17 OPERATING BUDGET**

School Board Chairman Nathan Lunney thanked everyone for their continued support and patience in the School process, saying that though things had not happened as quickly as they would have liked, they were very close to naming the new Superintendent of Schools who would be joining them in July. He said he recognized and appreciated that a lot of the information to be presented this evening was new to the Budget Committee, but hoped that all their questions would be answered. He said School Business Administrator Christine Blouin would introduce the first few Warrant Articles.

**SCHOOL WARRANT ARTICLES**

**ARTICLE 1: To Choose School District Officers**

School Business Administrator Christine Blouin first presented **Article 1**, which announced the new *Officers of the School District*. She said that this year there would be a School District Moderator for one year, a District Clerk for one year, a District Treasurer for one year, and two School Board Members for a 3-year term each, and that this would be on the ballot in March as *Article 1*.

**ARTICLE 2: Total Operating Budget**

School Business Administrator Blouin explained that **Article 2**, the *Total Operating Budget*, was a composite of three funds: the General Fund Operating Budget, the Food Service Fund, and Federal Funds (Grants). She said the table showed the amount of each fund requested and also the default amount. She stated that the FY2017 Operating Budget was \$16,847,926 and the Default Budget was

\$16,895,184. She said the Food Service Program was a self-sufficient District program with expenses offset by equal amounts of revenue through lunch sales plus Federal reimbursement. She said that district expenses for Title I, Title II, and some Special Education positions were also offset by equal amounts of Federal Grant revenue. She stated that the School Board had proposed a Fiscal Year 2017 Operating Budget of \$16,062,526, which represented a 0.51% decrease over last year's budget. She said it was a level program budget which included requests to increase a part-time Music teacher at the Junior-Senior High School to fulltime, and earmarked \$50,000 for a Facilities Director. In addition, she explained that they were in the final year of a Teacher contract, which would remain status quo until a successive agreement was reached and approved by the voters as *Article 3*. She then explained some of the factors driving the FY17 decrease, which included teachers remaining status quo until new contract negotiations and a significant decrease in Out-of-District Tuition for Special Education as well as Charter School services. She also cited the drop in fuel oil costs and said there would also be a decrease in severance payments with fewer teachers preparing to retire.

School Business Administrator Blouin next referred to a table on page 2 which showed the breakdown of the budget by object, including Salaries and Benefits, Contracted Services, etc. She said that salaries for Classified Staff were set to a District pay scale to which there had been no changes, and that the sum of \$28,084 provided for negotiations for performance and equity raises for the 19 Professional Staff and was level-funded. She stated that Health Insurance through Cigna had increased 10.9% which was almost double the previous year, and explained that staff were eligible to participate in a buy-back incentive. She said employee contributions to the New Hampshire Retirement System remained status quo at 15.67% for Certified Staff and 11.17% for Classified Staff, and would not be changing again until 2018. She again mentioned the increase of the part-time Music teacher to fulltime at the Junior-Senior High School and the \$50,000 allocated for a Facilities Director to keep them moving ahead with facilities needs.

School Business Administrator Blouin next addressed the *Total Tax Impact* of all the Warrant Articles should they be approved. She referred to a table which compared details of the appropriations and revenues of the 2017 requested and default budgets, as well as the FY16 approved budget. She said that they ended the 2015 year with a \$493,536 Fund Balance which reduced taxes for the 2016 year. She stated that the difference between the FY16 and FY17 General Operating Budget represented an \$82,477 decrease, but that the tax impact had increased by 2 cents. She explained that the tax rate increase was due to a decrease in FY17 budget expenses not being enough to balance out the predicted decrease in revenues in that budget. She said the 2-cent increase was the difference between the current Total School Tax Rate of \$17.87 which included all the warrant articles passed in 2015, and the estimated FY17 Total School Tax Rate based on the Total Operating Budget without the warrant articles proposed for this year. She said they were requesting an FY17 Total Operating Budget of \$16,847,925, which was a decrease of \$82,477 from the prior year. She said that FY17 Total Revenues of \$1,473,400 were down \$93,278 and the Total to be Raised in Taxes was up \$10,801, which accounted for the 2-cent increase. She said the chart showed what the Tax Rate would be if all the warrant articles passed, with the estimated Tax Impact of a \$0.51 increase to a new Total School Tax of \$18.38. She added that the same process was followed for the Default Budget as well.

### **ARTICLE 3: Newmarket Teachers Contract**

School Board Chairman Nathan Lunney presented **Article 3** which covered the *Collective Bargaining Agreement (CBA)* made with the Teachers Association for the new Teachers Contract. He said they had begun their conversation by discussing that the starting pay for teachers in Newmarket ranked 124<sup>th</sup> in

New Hampshire out of 159, with 14 of the top 20 districts being located on the Seacoast (i.e. Portsmouth, Exeter, Rye, Stratham). He said those salaries started at \$45,000-\$52,000 for the basic M1 first step, while new teachers in Newmarket received \$35,815 for the first year, which left a \$10,000-\$17,000 discrepancy between the two. He explained that while negotiating with their teachers they needed to let them know they understood, and added that though the District had tried to chase competitiveness in its staffing ranks, changes/gains in a union environment could only be made through negotiations with teachers. He said they had also gone into the conversation with the Affordable Care Act directing that by January 1<sup>st</sup> of 2018 high-cost insurance plans would impact communities with excise taxes, and explained that only after their negotiations did they learn the legislature had approved a 2-year extension of that deadline.

School Board Chairman Lunney stated that they had negotiated a 3-year agreement from 2016/17 through the 2018 and 2019 years. He said they hoped this would push out what a 2-year deal would have allowed and require less negotiation, and that it would give the new Superintendent time to address possible priorities to be brought to the next negotiating session. He said there were a few small things previously agreed to by the Teachers Association and the School Board to add a position and change the pay cycle, which would have no financial impact. He said they had also addressed a number of language items such as limiting reimbursement for graduate coursework to only accredited institutions, clarifying elementary planning periods, completing teacher evaluations/observations by Memorial Day, and clarifying the pay scale for new teachers with experience. He said they were anticipating the retirement of a longtime employee who managed the sick bank and had added language to help guide the management in the future. He said the language of the agreement would also establish a 6-member committee of 3 members each, appointed by the School Board and by the Teachers Association, to begin in April to explore options try to find lower-cost health plans. He said the District also added language that should any health plan offered be subject to excise tax, an additional plan option would be added to their list, and any employee who elected to continue a high-cost health plan subject to excise tax would see their portion increased by that amount. He said as compensation a small concession was made which reduced the number of after-school development sessions.

School Board Chairman Lunney stated that the big ticket was salaries, and the CBA contract provided step increases to those teachers in the salary grid of 2% in the first year bringing the salary increase to \$249,259, and a 2.8% increase in salaries for years 2 and 3, with costs of \$292,154 and \$296,175 respectively, or a 7.6% total increase in salaries over the 3 years of the CBA contract.

Discussion: Mr. Smith asked how this contract, if approved, would change the overall relationship between Newmarket teacher salaries and the other area salaries. School Board Chairman Lunney said it did not get them into the top 100 but at least moved their salaries closer to equity. He said it would also depend on what the other areas negotiated for next year, with the Affordable Care Act a driving factor. Mr. Raab asked if the discrepancy was only in starting salaries and School Board Chairman Lunney said it was the same at the top of the scale. Mr. Foster said that for the first year they were asking for \$249,259 as an above and beyond appropriation and asked if there would be new warrant articles for the same in 2017/18 and 2018/19. School Board Chairman Lunney said that the 2.8% would be included in the Operating Budget and rollup of taxes, but said the 2016/17 estimate was based on current staff. He explained that they had to provide an estimate of what the new costs would look like for each year. He said they had no Capital bonds and no projects for 2016/17 and had tried to keep the financial impact for this year as low as possible.

#### **ARTICLE 4: Special Meeting**

School Board Chairman Lunney explained that **Article 4** was a technical article that allowed them to continue a good-faith effort in working with teachers if *Article 3*, the Collective Bargaining Agreement, should fail to pass. He stated that the passage of *Article 4* would allow the School Board to go back and re-open negotiations, come up with new terms and cost items, and call for a *Special Meeting* to see if they could pass something to have in place for the new fiscal year. He said that in the absence of this, a no-vote on *Article 3* would mean no new contract and no salary increases, and they would lose out on some of the items they had negotiated. He said it was a failsafe to allow the Public to say no to *Article 3* but yes to *Article 4* so they could go back to the negotiation table.

Discussion: Mr. Raab asked for the definition of a *Special Meeting*, and School Board Chairman Lunney said there would have to be another ballot vote or whatever the moderators prescribed to notice the public. He said he believed there would need to be another Public Hearing on those terms and the deliberations to consider it. Chairman Foltz explained that it was an off-cycle meeting, as typically the vote was held in March. He said if it did not pass and went to a special meeting they would need a warrant article that could call for it, and would then need to go through all the same steps for scheduling a Public Hearing.

#### **ARTICLE 5: Land Swap**

Mr. Mike Kenison, School Board Representative to the Budget Committee, presented **Article 5** which was a proposed *Land Swap* between the School and the Durell Woods Community Association. He said the Durell parcel was located at the back of the Elementary School property along a back access road. He referred to the map on page 3 and also pointed out a Swampland to the left of the school property which was currently owned by the School District. He said the Swampland was of no use to the School District but was potentially of use to Durell Woods Association to help fulfill their open-space requirements. He explained that the Durell Woods Association would give the land behind School (approximately 4 acres) in exchange for the Swampland (a little less than 3 acres), and would still be able to meet the open-space requirements for a Homeowners Association. He said there would be no cost to the School except the legal cost of drafting up the land swap and doing lot line adjustments. He described the Durell Woods property as mostly ledge and rock to which the School could potentially move their access road, whereas the Swampland was unusable wetlands. He stated that both their Educational Consultant Dr. Mark Joyce and their Architect highly recommended that the District acquire properties adjacent to both the Junior-Senior High School and the Elementary School if they became available.

Discussion: Mr. Smith asked if there were any environmental issues hidden in the swap and Mr. Kenison replied that there were not. Mr. Foster asked what the tax impact to the Town would be from the Durell Woods property, as they would be losing a revenue. Mr. Kenison said he was not sure as it was an open space. Mr. Foster then asked if Durell Woods and the School District would need to go before the Town for zoning to make sure the land could be developed, and asked if there were any limitations on the property. Mr. Kenison replied that their lawyers had told them they would not, as it was a simple land swap with no fundamental changes in usage. As far as limitations on the property, Mr. Kenison said they had not gotten that far yet but they would prefer to own the parcel first.

#### **ARTICLE 6: Land Purchase**

Mr. Kenison next introduced **Article 6** which covered a proposed *Land Purchase*. He referred to lot 53 to the right of the Elementary School on the map, which was the McGrath property, and stated that the District proposed the purchase of that property. He said the current access road for the School was between lot 54 and lot 55 onto Route 152, and that the next lot over was the McGrath property. He said the lot ran essentially along the entire right-hand length of the Elementary School property, along the playground and along the edge of the Durrell Woods property. He stated that the property, which was a little over 2 acres, would potentially give the School the ability to have a better access road to Route 152, which would reduce congestion and increase safety. He said another potential use of the property would be to expand the playground. He said they were currently working on a purchase and sale agreement with the owner, but they had not yet done an inspection which would be part of the agreement. School Board Chairman Lunney stated that an agreement had been reached and that the District had 90 days to comply. Mr. Kenison stated that the purchase price was \$169,610 with \$71,400 being paid through the School Facilities Capital Reserve Fund. He said the School District might not have this opportunity again if they passed it by, as someone else would purchase the lot and develop it. He said again that the School Architect and Dr. Joyce both recommended that they purchase this property if available.

Discussion: Mr. Dionne said he thought the original market price was \$250,000 and Mr. Kenison said it was listed at \$214,000. Mr. Dionne said it looked like they were taking out \$169,610 plus another \$71,400. School Board Chairman Lunney replied that the \$169,610 was the total appropriation, that \$71,400 would come from the trust, and that this would leave a balance of \$98,210 which they would need to raise. He said the property was appraised on the Town side at \$162,400, and though they were able to justify some premium on the value, only the land would be of use and not the current structures. Mr. Dionne said lot 56 or 57 might also be up for sale and asked if the School Board was interested in looking into that property as well. Mr. Kenison said the listing price on that lot was around \$250,000, and that due to the size it would not be worth purchasing. Chairman Foltz asked for clarification that the \$169,610 was just the asking price without costs to remediate the land, and Mr. Kenison said that was correct. Chairman Foltz felt it made sense to purchase the property, but asked if this would give the School the ability to do what they needed to do with Elementary School facilities or would simply be an access road. Mr. Kenison said the purchase of the property would allow them to move everything over and that the access road was just one possible use. He stressed that if the District lost the opportunity to buy the parcel, which was last for sale in 1923, there was no other piece of developable land akin to it and the owners wanted the School to buy it.

Mr. Raab asked what would happen if they could not complete the sale for any reason, and Mr. Kenison said in that case it would not happen as that was a precondition. Councilor Thompson informed Mr. Foster that the Town taxes on the Durrell Woods Association property were approximately \$5,000. She asked if perhaps *Article 6* could be written a little differently, based on the negotiations and inspections being part of the purchase and sale agreement, to include “to raise and appropriate a sum *not to exceed* \$169,610”. Chairman Foltz also asked if there would be any other costs above and beyond the purchase cost that they could experience. Mr. Kenison said that they would not be doing anything with the property between now and next March, and they had been told it may cost \$15,000-\$25,000 to demolish the buildings. Mr. Foster asked if they were allowed to use the Expansion of School Facilities Capital Reserve Fund to purchase land as it was not a facility expansion, and School Board Chairman Lunney said that expanding on School property was consistent with the purpose of the Trust. School Business Administrator Blouin clarified that the Trust Fund was originally established as an expansion and was used when purchasing the Carpenter property. Chairman Foltz asked if the withdrawal would deplete the Trust Fund and School Business Administrator Blouin said it would but they wanted to keep

the fund open. School Board Chairman Lunney stated that the District would first need to ask their lawyer to assist with the wording of any additional language, and that this should be changed *in advance* of posting, with any other changes made at the deliberative session.

#### **ARTICLE 7: New School Construction and Renovation Capital Reserve Fund**

School Board member Al Zink presented **Article 7** which would establish a new *Capital Reserve Fund* for the purpose of funding new construction and renovating School buildings. He said this would include the necessary costs of architectural and engineering plans, and construction costs for additions and renovations or new facilities for the School District. He said the article would be funded by any surplus balance up to \$150,000 that remained from the 2016/16 operating budget. He next provided some background on how they arrived at this proposal, and said that some members of the School Board had expected to have a proposed budget for building or renovating on the ballot. He said one reason this had not happened was that they had been encouraged to make sure they addressed all facilities and also to make sure they had enough credibility with their numbers to ask the voters to accept it. He said they had decided they were a long way from that and thought about asking for complete architectural and engineering fees so that once the School options were selected, they could move forward. He explained that these fees comprised 7%-8% of the project costs, and said they were asking for \$150,000 to continue to a point where they could provide viable options to the community by summer.

Mr. Kenison added that the School Board was anxious to move this along, and explained that there would be two (2) phases to this process. He said the first phase would be the Schematic Phase to produce high-level drawings and would be the less expensive conceptual phase. He said the second phase would be the Design Phase which would begin after deciding what they were going to build, and at that point they could run the numbers on the entire construction costs and plans with all the details. He said that though this delayed the project, they could complete the Schematic Phase, have a cost estimator provide estimates, and be ready for a bond vote next March. At that point they would move into the Design Phase where the architect would provide actual building drawings. Mr. Zink explained that if *Article 7* passed they would have \$150,000 to do preliminary work, vote next March to approve the architectural fees, and begin building in 2018. School Board Chairman Lunney clarified that the \$150,000 was to come out of operating surplus, and pointed out that raising money for other trusts this year had been taken off and replaced by this article. Mr. Kenison added that if a request for significant architectural and design fees had been introduced and failed, they would have been shut down entirely (NH “hammer clause”). He said they were making great progress, and first and foremost they were trying to get the facts out there so the public would know what was being done. He said the Facilities Committee that had been set up was a balanced group, they had an excellent architect, and they were looking forward to the new Superintendent coming aboard to help with the process. Mr. Zink felt they needed to do a better job of communicating with the public, and said the report by Dr. Joyce covered what was needed for space, and that it was significantly less than discussed earlier.

Discussion: Councilor Thompson asked why a new fund was being set up and why they could not use the already existing Dual Purpose Fund. She said she was concerned that they had tied two (2) actions to one (1) warrant article, and that if the new fund were voted down they would lose the \$150,000 as well. She said she felt they should either use the Dual Purpose Fund for this and have a warrant article with one purpose, or split this into *Article 7* and *Article 8*. Mr. Zink said the point was well taken but they felt that people would question the Dual Purpose Fund because of its complex title. Councilor Thompson said the purpose here was to provide funds for the drawings, and she saw two ways this could fail and felt they were trying to do too much with one warrant article. Mr. Zink agreed that they needed to solve

that problem, but said they felt one way to get around the confusing title was to create a new fund. Chairman Foltz said he questioned creating a new fund with purposes similar to funds that already existed. Mr. Zink gave the fund title as *Construction of New School Buildings, Renovation of Existing School Buildings for Fire & Life Safety Code Compliance Capital Reserve Fund*, and said that people would not understand it. Mr. Kenison pointed out that the title was also not accurate to what they proposed for the \$150,000. Mr. Foster suggested changing the title at the deliberative session, and Mr. Zink said they could put up a warrant article to change the name but the new name would not be valid until after the vote.

Mr. Hill acknowledged that the fund had a long name and a long history which had nothing to do with what they were trying to appropriate the funds for, but felt they were on the right track with having a separate fund and a clean slate. He agreed that it would be more confusing to vote to put the money in the Dual Purpose Fund as it existed today. Mr. Smith said he saw more risk in splitting this into two separate warrant articles as they could get the \$150,000 and have no place to put it, and felt the purpose and the amount should be linked together. School Board Chairman Lunney asked if it would make any difference if they were to have a warrant article to close and eliminate the Dual Purpose Fund, and suggested they close it with *Article 7* and propose the new fund with *Article 8*. Mr. Foster said people had been following the facilities process since 2007 and felt renaming the fund might not change anything. Chairman Foltz felt it was a good idea to wipe out the Dual Purpose Fund, and felt eliminating the fund might make everything a little clearer. He said the Budget Committee had until Thursday, January 21<sup>st</sup> to recommend all the articles. School Board Chairman Lunney said they would not need to appropriate anything to dissolve the fund with *Article 7*, and would only be appropriating with *Article 8*. He said any money left in the Dual Purpose Fund would not need to be transferred and would just drop into the fund balance. Vice Chair Burns asked if they should still change *Article 8* into two funds, and asked the Committee members for input. Councilor Thompson said adding *Article 7* solved the problem for her. School Board Chairman Lunney felt they should leave *Article 8* as it was and keep the purpose and the amount together as suggested by Mr. Smith. Chairman Foltz felt they did not need to split the funds and that dissolving the Dual Purpose solved the problem, and all of the Budget Committee members were in consensus.

Mr. Raab asked if using the \$150,000 in surplus was a requirement or an option. School Board Chairman Lunney replied that this was the only fund balance article, and if the article was approved, the first \$150,000 would go into that fund, and added that if there was no balance remaining they would just create the fund with nothing in it. Mr. Raab asked what would happen if it failed, and School Board Chairman Lunney said in that case they would not be allowed to create the fund. Mr. Kenison pointed out that they would not necessarily use all the money and that the School Board still had the ability to oversee that. Mr. Hill asked if the fund would continue to be used in future years and School Board Chairman Lunney said the Board's wish was to complete this conversation and move them to a point where a bond article on the ballot would address facilities needs. School Board Chairman Lunney stated that every endeavor the School Board had undertaken in the past few years, including the Joint Advisory Committee and the Public Forums, had made it clear that if they were going to do the project to do it right and make it all-encompassing. Mr. Raab asked if they would lose another year if the article was not funded in full, and School Board Chairman Lunney replied that less would make it difficult. Mr. Hill asked where the School was trending now as far as budget surplus. School Board Chairman Lunney said the Board had made sure they could fund this article and still have a Fund Balance in the \$300,000-\$400,000 range. Chairman Foltz felt that if the School stayed on the current trend of having a roughly 3% Fund Balance (\$300,000-\$450,000) there would still be room left there.

Chairman Foltz asked if there were any questions on any of the articles. Mr. Foster said he had a question on *Article 2* the Operating Budget, and asked what the total amount would read on the ballot. He said he found it confusing that they say they are going to appropriate \$16,847,926 for the Operating Budget with Food Service and Federal Funds included. He said they were really raising and appropriating \$16,062,526, but that number was not on the actual warrant article. School Business Administrator Blouin said there was an article which stated that they needed to “gross appropriate” funding in order to take money from the Federal Government, which meant they needed to have the *authority* to spend, and that they were required to show it with the larger number first. Mr. Foster felt it was confusing due to the \$800,000 difference. School Business Administrator Blouin said the Tax Impact chart showed that the Food Service amount of \$335,400 and the Federal Fund amount of \$450,000 both appeared under expenditures at the top and again under revenues, so that it netted out. She said if she did not authorize it she could not spend it.

### **ARTICLE 8**

School Business Administrator Blouin explained that **Article 8** was simply to transact any business which might legally come before this meeting.

### **PUBLIC FORUM**

Chairman Foltz opened the Public Forum at 8:21 pm, and asked if anyone from the public wished to speak.

Ms. Toni Weinstein of Ash Swamp Road said she first wanted to say that she supported the Collective Bargaining Agreement (CBA) and appreciated the work that had been done. She said she found the wording in *Article 6* regarding the land purchase to be confusing, specifically “to further authorize the withdrawal of \$71,400”. Mr. Dionne said it was also not clear to him, and Ms. Weinstein felt it might take some clarification for the general public. School Business Administrator Blouin pointed out that the article did explain that the appropriation was \$169,610 and it “further authorized the withdrawal of \$71,400” leaving a balance of \$98,210, which was why the tax was only 14 cents. Ms. Weinstein said she also fully supported dissolving the Dual Purpose Fund. She said she also had a question about the overall plans for Technology in the School District.

As no one else from the public came forward, Chairman Foltz closed the Public Forum at 8:25 pm.

Chairman Foltz stated that the Budget Committee could go over the warrant articles now but if they were going to add *Article 7* to dissolve the Dual Purpose Fund they would need to reconvene on that. He asked if the Committee wanted to simply reconvene on Tuesday to vote on all the warrant articles together. He said he personally did not feel comfortable voting as there would be some editing and possible language changes. Mr. Dionne said he would like to see how the School Board voted on all the warrant articles before he made a decision. Chairman Foltz said the School Board was not scheduled to meet again until January 21<sup>st</sup> and the Budget Committee needed to have all their recommendations approved and posted by that date. Councilor Thompson asked if it would be possible for the School Board to meet before next week and have the warrant articles ready for them on Tuesday. School Business Administrator Blouin pointed out that if there were any changes by the Budget Committee, the School Board would need to meet again. Chairman Foltz said if they could meet this week, they could make any changes at the meeting already scheduled for January 21<sup>st</sup>.

Budget Committee – Public Hearing for School FY17 Budget  
January 11, 2016

Vice Chair Burns made a motion for the Budget Committee to reconvene Tuesday January 19<sup>th</sup> at 6:30 pm, which was seconded by Ms. Louney-Moore.

**OTHER BUSINESS**

**Adjournment**

Mr. Foster made a motion to adjourn the meeting, which was seconded by Mr. Lang. The meeting for the Public Hearing of the School FY17 Budget was adjourned at 8:32 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary